



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2014**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Long Beach Rescue Mission and  
Long Beach Rescue Mission Foundation

We have audited the accompanying financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2014, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Long Beach, California  
December 4, 2014

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 262,628	\$ 16,363	\$ 278,991
Accounts receivable	5,490	-	5,490
Current portion of note receivable	8,066	-	8,066
Contribution receivable	-	156,938	156,938
Inventories	11,039	-	11,039
Prepaid expenses	27,147	-	27,147
Total Current Assets	<u>314,370</u>	<u>173,301</u>	<u>487,671</u>
Long-term investments	<u>3,608,439</u>	<u>-</u>	<u>3,608,439</u>
Property and equipment, net	<u>5,626,263</u>	<u>-</u>	<u>5,626,263</u>
Other Assets			
Note receivable, net of current portion	13,442	-	13,442
Loan fees, net	5,687	-	5,687
Deposits	7,000	-	7,000
Plots	1,682	-	1,682
Total Other Assets	<u>27,811</u>	<u>-</u>	<u>27,811</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,576,883</u></u>	<u><u>\$ 173,301</u></u>	<u><u>\$ 9,750,184</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
Current Liabilities			
Accounts payable	\$ 49,997	\$ -	\$ 49,997
Accrued liabilities	76,137	-	76,137
Current portion of capital lease obligation	4,176	-	4,176
Current portion of note payable	6,361	-	6,361
Total Current Liabilities	<u>136,671</u>	<u>-</u>	<u>136,671</u>
Capitalized lease obligation, net of current portion	8,572	-	8,572
Note payable, net of current portion	254,342	-	254,342
Total Long-Term Debt	<u>262,914</u>	<u>-</u>	<u>262,914</u>
Total Liabilities	<u>399,585</u>	<u>-</u>	<u>399,585</u>
Net Assets			
Unrestricted	9,177,298	-	9,177,298
Temporarily restricted	-	173,301	173,301
Total Net Assets	<u>9,177,298</u>	<u>173,301</u>	<u>9,350,599</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 9,576,883</u></u>	<u><u>\$ 173,301</u></u>	<u><u>\$ 9,750,184</u></u>

The accompanying notes are an integral part of these financial statements.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,903,995	\$ 47,638	\$ 1,951,633
Estates and bequests	38,726	120,125	158,851
Cold weather shelter contract	310,570	-	310,570
Private grants	224,545	-	224,545
Gifts in-kind	443,374	-	443,374
Special events	\$ 16,736		
Less: Cost of direct benefits to donors	<u>(9,070)</u>	-	7,666
Interest and dividends	82,888	-	82,888
Rental income	71,352	-	71,352
Thrift store sales	147,889	-	147,889
Net realized gain on investments	34,196	-	34,196
Net unrealized gain on investments	208,629	-	208,629
Other revenue	14,526	-	14,526
Net assets released from restrictions	<u>481,744</u>	<u>(481,744)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,970,100</u>	 <u>(313,981)</u>	 <u>3,656,119</u>
 <b>EXPENSES AND LOSSES</b>			
Program services	2,852,310	-	2,852,310
Management and general	298,405	-	298,405
Fund-raising	<u>587,498</u>	<u>-</u>	<u>587,498</u>
 Total Expenses	 3,738,213	 -	 3,738,213
 Loss on disposition of asset	 <u>909,894</u>	 <u>-</u>	 <u>909,894</u>
 Total Expenses and Losses	 <u>4,648,107</u>	 <u>-</u>	 <u>4,648,107</u>
 CHANGE IN NET ASSETS	 (678,007)	 (313,981)	 (991,988)
 NET ASSETS, BEGINNING OF YEAR	 <u>9,855,305</u>	 <u>487,282</u>	 <u>10,342,587</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,177,298</u>	 <u>\$ 173,301</u>	 <u>\$ 9,350,599</u>

The accompanying notes are an integral part of these financial statements.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services			Supporting Services		TOTAL
	Cold Weather Shelter	Community Services	Total	Management and General	Fund-raising	
Salaries and wages	\$ 14,639	\$ 712,461	\$ 727,100	\$ 194,448	\$ 92,007	\$ 1,013,555
Payroll taxes	-	45,255	45,255	18,438	6,317	70,010
Employee benefits	829	154,424	155,253	18,343	10,357	183,953
	<u>15,468</u>	<u>912,140</u>	<u>927,608</u>	<u>231,229</u>	<u>108,681</u>	<u>1,267,518</u>
Advertising and newsletter	-	636	636	-	288,461	289,097
Benevolence	3,705	19,836	23,541	-	-	23,541
Contributions and grants	-	-	-	-	-	-
Community development	-	4,818	4,818	-	-	4,818
Contracted services	224,776	1,022	225,798	-	-	225,798
Depreciation and amortization	373	199,899	200,272	7,150	2,654	210,076
Facility expense	17,959	245,276	263,235	-	-	263,235
Food supply and services	23,572	24,179	47,751	-	-	47,751
In-kind expense	-	437,574	437,574	-	-	437,574
Interest	-	13,561	13,561	-	-	13,561
Insurance	-	79,757	79,757	11,659	902	92,318
Miscellaneous	-	229	229	9,485	-	9,714
Office expense	1,243	16,819	18,062	-	-	18,062
Postage and delivery	883	34,371	35,254	-	143,178	178,432
Printing and reproduction	-	13,755	13,755	-	3,900	17,655
Professional development	-	12,746	12,746	-	-	12,746
Professional fees	449	119,015	119,464	25,024	36,450	180,938
Programs and case management	-	46,274	46,274	-	-	46,274
Rent	18,145	58,058	76,203	-	-	76,203
Special event expense	-	35,916	35,916	-	-	35,916
Taxes and licenses	-	66,413	66,413	-	-	66,413
Travel and meals	256	17,742	17,998	-	133	18,131
Utilities and telephone	7,329	148,571	155,900	13,858	3,139	172,897
Vehicle expense	-	38,615	38,615	-	-	38,615
	<u>314,158</u>	<u>2,547,222</u>	<u>2,861,380</u>	<u>298,405</u>	<u>587,498</u>	<u>3,747,283</u>
Total expenses	314,158	2,547,222	2,861,380	298,405	587,498	3,747,283
Less expenses included with revenues on the combined statement of activities	-	(9,070)	(9,070)	-	-	(9,070)
Total expenses included in the expense section of the combined statement of activities	<u>\$ 314,158</u>	<u>\$ 2,538,152</u>	<u>\$ 2,852,310</u>	<u>\$ 298,405</u>	<u>\$ 587,498</u>	<u>\$ 3,738,213</u>

The accompanying notes are an integral part of these financial statements.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ (678,007)	\$ (313,981)	\$ (991,988)
<b>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities</b>			
Depreciation	209,832	-	209,832
Amortization of loan fees	244	-	244
Loss on sale of property and equipment	909,894	-	909,894
Net realized gain on investments	(34,196)	-	(34,196)
Net unrealized gain on investments	(208,629)	-	(208,629)
Changes in operating assets and liabilities:			
Accounts receivable	(1,665)	-	(1,665)
Note receivable	(21,508)	-	(21,508)
Contribution receivable	-	(141,626)	(141,626)
Gift cards	2,689	-	2,689
Prepaid expenses	(2,491)	-	(2,491)
Deposits	(1,720)	-	(1,720)
Accounts payable	15,727	-	15,727
Accrued liabilities	15,078	-	15,078
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<u>205,248</u>	<u>(455,607)</u>	<u>(250,359)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(211,770)	-	(211,770)
Proceeds from sale of property and equipment	1,868,993	-	1,868,993
Purchase of investments	(3,122,530)	255,536	(2,866,994)
Proceeds from sale of investments	1,370,464	-	1,370,464
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<u>(94,843)</u>	<u>255,536</u>	<u>160,693</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on capital lease obligation	(1,350)		(1,350)
Principal payments on note payable	(5,887)	-	(5,887)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>(7,237)</u>	<u>-</u>	<u>(7,237)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	103,168	(200,071)	(96,903)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>159,460</u>	<u>216,434</u>	<u>375,894</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 262,628</u>	<u>\$ 16,363</u>	<u>\$ 278,991</u>

The accompanying notes are an integral part of these financial statements.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Long Beach Rescue Mission (LBRM, Mission) was established in 1972 and provides food, clothing, shelter, and spiritual guidance to the homeless people of the community. Temporary housing is provided through facilities owned by the Mission, assisting people primarily in the Long Beach area. Residents are provided with counseling services to help them obtain permanent housing, employment, financial assistance and to help with substance abuse. The Mission is primarily supported through public donations. The Mission also operates a Thrift Shop in facilities owned by the Mission.

The Long Beach Rescue Mission Foundation (LBRMF, Foundation) was created in 2000 to facilitate the Mission's investments and provide financial assistance to the Mission. The Foundation is directly funded and is a separate entity.

**Principals of Combination**

The combined financial statements include the accounts of the Long Beach Rescue Mission and the Long Beach Rescue Mission Foundation. Collectively the entities are referred to as "the Organization" or "the Organizations" throughout these notes. The Mission board of directors has a controlling interest in the Foundation board. Combined financial statements are presented because the entities are under common management and have similar operations. Management believes combined financial statements are more meaningful.

**Basis of Accounting**

The Organizations use the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

**Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization, pursuant to those stipulations, or that expire by the passage of time.

**Permanently Restricted** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting for Contributions**

Generally accepted accounting principles require that the Organization reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit, repurchase agreements, and money market funds, with an original maturity of three months or less when purchased. The Organization receives funds for its Winter Shelter program from the Los Angeles Homeless Service Authority, which are required to be kept in a separate bank account.

**Accounts Receivable**

The accounts receivable consist primarily of amounts due generated from rental properties, and are stated at the amount that management expects to collect from outstanding balances. Management believes the accounts receivable as of June 30, 2014, are fully collectible and therefore, the Organization has not recorded an allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible.

**Contributions and Bequests Receivable and Promises to Give**

The Organization has been named beneficiary of various estates. Bequests received under such estates are not recorded until the Organization has a legal right to such assets, the distribution of assets to the Organization is probable, and the amount of the distribution can be reasonably estimated.

Unconditional promises to give are recorded at net present value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Inventories**

Inventories consist of gift cards and soda machine inventory recorded at cost. No value is placed on Thrift Store inventory at the time of receipt because the value is undeterminable.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation has been recorded using the straight-line method over the estimated useful life of the specific asset ranging from two to fifteen years for furniture and equipment, and forty years for buildings. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Repairs, maintenance and minor acquisitions are expensed as incurred, and the Organization uses the direct expensing method to account for planned major maintenance activities.

**Long Lived Assets**

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

**Loan Fees**

Mortgage fees were carried at cost net of accumulated amortization. Amortization is calculated using a straight-line method over the life of the loan. Amortization expense for the year ended June 30, 2014 was \$244.

**Contributed Materials and Services**

The Organization receives food donations from various businesses and individuals. Food donations are recorded based on the fair market value. Food donations have been recorded as in-kind income and expense. No value has been recorded for the remaining food inventory, as the inventory would have no resale value.

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

The Organization receives periodic donations of materials from local vendors, and from the community, which are recorded at estimated fair market value at the date of donation, if significant. Donated equipment or improvements are recorded at the estimated fair value at the date of donation. Donated stock is recorded at the underlying stock's fair market value at the date of the donation.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Organizations are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. The Organization qualifies for the charitable contribution deductions under Section 170(c)(2) of the IRC and is classified as an Organization that is not a not private foundation under Section 509(a)(1).

Income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ending June 30 2010, 2011, 2012, and 2013, are subject to examination by federal and state taxing authorities, generally for three and four years after they are filed, respectively.

**Advertising Costs**

The Organization expenses advertising production costs the first time the advertising occurs. Advertising primarily consists of the Organization's newsletter and seasonal donation solicitations. Advertising expense for the year ended June 30, 2014 was \$289,097.

**Fair Value of Financial Instruments**

The Organization's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates fair value because of the short-term nature of these instruments. The investment securities are carried at fair value based on quoted prices in active markets. The reported amount of the note payable approximated fair value because of the market value interest rates the instruments bear.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The significant items in these statements that are affected by management estimates are depreciation and allocations of functional expenses.

**Expense Allocation**

The cost of providing various programs and other activities has been summarized on a functional basis in the combined statement of activities and the combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2014 consisted of the following:

Rent	\$ 3,640
Other	1,850
	\$ 5,490

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of June 30, 2014 consisted of outstanding bequests and grants receivable and are due as follows:

Less than one year	\$156,938
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**NOTE 4 – RELATED PARTY NOTE RECEIVABLE**

The Organization has an agreement with the Executive Director where an overpayment of salary in the fiscal year will be repaid over five years starting January 2015. Amounts due are as follows:

Less than one year	\$ 2,151
One to five years	19,357
Total note receivable	\$21,508

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 5 – INVESTMENTS**

The Organization reports investments in marketable securities using readily determinable fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

The Portfolio consists of various types of mutual funds, whose investment objectives range from growth and income to balance for the equity portion of the Portfolio and bond funds with varying durations typically not exceeding seven years for the bond portion of the Portfolio.

An analysis of the investments held as of June 30, 2014 is as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Equities	\$2,311,650	\$2,615,126	\$ 303,476
Fixed income	507,001	509,515	2,514
Mixed funds	<u>470,377</u>	<u>483,798</u>	<u>13,421</u>
	<u>\$3,289,028</u>	<u>\$3,608,439</u>	<u>\$ 319,411</u>

The following schedule summarizes the investment return for the year ended June 30, 2014:

	<u>Unrestricted</u>
Interest and dividends	\$ 82,085
Realized gain	34,196
Unrealized gain	208,629
Management fees	<u>(25,014)</u>
Total investment return	<u>\$ 299,896</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014, is summarized as follows:

Land	\$3,252,174
Land improvements	31,309
Buildings and improvements	4,207,602
Construction and renovations in progress	10,079
Furniture, fixtures, and equipment	682,829
Vehicles	139,000
	<u>8,322,993</u>
Less accumulated depreciation	<u>(2,696,730)</u>
	<u>\$ 5,626,263</u>

Depreciation expense for the year ended June 30, 2014 was \$209,832.

Construction in progress relates to the design work on a new facade for the Lydia House. No debt was incurred related to the projects, and thus no interest has been capitalized.

**NOTE 7 – ACCRUED LIABILITIES**

Accrued liabilities as of June 30, 2014 consisted of the following:

Accrued expenses	\$ 4,635
Sales tax payable	1,478
Deposits payable	400
Accrued compensated absences	69,624
	<u>\$76,137</u>

**NOTE 8 – COMPENSATED ABSENCES**

It is the Organization's policy to accrue vacation pay for its employees. Staff may accrue up to a maximum of 200 unused hours, based on years of service, which may be paid out at the end of their employment period. The liability for such absences is included in accrued liabilities on the statement of financial position. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 9 – EMPLOYEE BENEFIT PLANS**

The Organization has a tax deferred retirement plan under Internal Revenue Code Section 401(k) in which all eligible employees may participate. The employer makes a 3% match contribution to the plan on behalf of eligible employees. For the year ended June 30, 2014, matching contributions were \$13,972.

The Organization has an Employer Profit Sharing Plan in which all eligible employees receive a contribution based on approval and discretion from the Board. The allocations calculated on calendar year basis. The Board will not be making a contribution for the year ended June 30, 2014.

**NOTE 10 – LEASES**

The Organization leases commercial property and parking space to several unrelated parties on various terms. The total rent received for the year ended June 30, 2014 was \$71,352. The Long Beach Rescue Mission Foundation rents space for Winter Shelter program to the City of Long Beach, the City subleases the same space to Long Beach Rescue Mission. The total rent revenue and corresponding expense was \$1 for the year ended June 30, 2014.

The Organization leases telephone equipment at a capitalized cost of \$14,098. The lease has been classified as a capital lease for accounting purposes. Capital lease obligations reflect the present value of future rental payments, less an interest amount implicit in the lease. The equipment has not been placed into service as of June 30, 2014; hence no depreciation under the capital lease had been incurred for the year ended June 30, 2014.

Capital lease obligations consist of the following as of June 30, 2014:

Navitas Lease Corporation, payable in monthly installments of \$550 including interest, secured by equipment, expiring February, 2017.	\$ 12,748
Less portion considered current	<u>(4,176)</u>
Total long-term liabilities	<u>\$ 8,572</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 10 – LEASES (continued)**

Future minimum payments required under the capital leases are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2015	\$ 6,600
2016	6,600
2017	<u>2,750</u>
Total minimum payments	15,950
Amount representing interest	<u>(3,202)</u>
Present value of minimum payments	<u>\$ 12,748</u>

The interest paid under the capital lease for the year ended of June 30, 2014 was \$850.

**NOTE 11 – LONG-TERM DEBT**

Note payable to Beach Business Bank, bearing interest at 4.75%, payable in monthly installments of \$1,550, principal and interest, maturing November, 2037, secured by a Deed of Trust on real property and land located at 219 Anaheim St, Long Beach, California. Loan covenants require the Organization to maintain a minimum net worth of \$4,600,000 and a minimum debt coverage ratio of 1.25.

	\$ 260,703
Less portion considered current	<u>(6,361)</u>
Total long-term liabilities	<u>\$ 254,342</u>

Maturities of long term debt for the next five years are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2015	\$ 6,361
2016	6,670
2017	6,994
2018	7,333
2019	7,689
Thereafter	<u>225,656</u>
	<u>\$ 260,703</u>

The interest paid on the note for the year ended of June 30, 2014 was \$12,711.



**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2014 are available for the following purposes:

Restricted Until Collected and Available for Use	\$120,125
Thrift Store	5,000
Recreation Day for Women	50
Support for Lydia House	2,000
Solar Panels for Samaritan House	36,813
Ice Machine for Samaritan House	1,152
Christmas Store	2,463
Beds for Samaritan House	2,200
Chapel Renovation	<u>3,498</u>
Total	<u>\$173,301</u>

**NOTE 13 – CONCENTRATIONS AND CREDIT RISK**

**Contributions Receivable**

Contributions receivable at June 30, 2014 consist of amounts due from three contributors.

**Cash**

The Organizations maintain cash balances in a financial institution as well as in money market investments. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the financial institutions that were over the FDIC limit. At June 30, 2014, the Organization had no uninsured cash balances.

**NOTE 14 – CONTINGENCIES**

The Organization has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material.

**NOTE 15 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

During the year ended June 30, 2014, the Organization paid \$13,561 in interest and no income taxes.

A capital lease obligation of \$14,098 was incurred when the Organization entered into a lease for telephone equipment.

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 4, 2014, the date the financial statements were available to be issued.

## **ADDITIONAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION**

To the Board of Directors of  
Long Beach Rescue Mission and  
Long Beach Rescue Mission Foundation

We have audited the combined financial statements of Long Beach Rescue Mission and Long Beach Rescue Mission Foundation as of and for the year ended June 30, 2014, and have issued our report thereon dated December 4, 2014, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information in schedules I, II, III and IV is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Onisko & Scholz, LLP*

Long Beach, California  
December 4, 2014

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE I - COMBINING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014**

	LBRM			LBRMF			ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>ASSETS</b>								
Current Assets								
Cash and cash equivalents	\$ 120,292	\$ 16,363	\$ 136,655	\$ 142,336	\$ -	\$ 142,336	\$ -	\$ 278,991
Accounts receivable	5,897	-	5,897	-	-	-	(407)	5,490
Current portion of note receivable	8,066	-	8,066	-	-	-	-	8,066
Contribution receivable	-	156,938	156,938	-	-	-	-	156,938
Inventories	11,039	-	11,039	-	-	-	-	11,039
Prepaid expenses	24,122	-	24,122	3,025	-	3,025	-	27,147
Total Current Assets	<u>169,416</u>	<u>173,301</u>	<u>342,717</u>	<u>145,361</u>	<u>-</u>	<u>145,361</u>	<u>(407)</u>	<u>487,671</u>
Long-term investments	-	-	-	3,608,439	-	3,608,439	-	3,608,439
Property and equipment, net	5,626,263	-	5,626,263	-	-	-	-	5,626,263
Other Assets								
Note receivable, net of current portion	13,442	-	13,442	-	-	-	-	13,442
Loan fees, net	5,687	-	5,687	-	-	-	-	5,687
Deposits	7,000	-	7,000	-	-	-	-	7,000
Plots	1,682	-	1,682	-	-	-	-	1,682
Total Other Assets	<u>27,811</u>	<u>-</u>	<u>27,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,811</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,823,490</u>	<u>\$ 173,301</u>	<u>\$ 5,996,791</u>	<u>\$ 3,753,800</u>	<u>\$ -</u>	<u>\$ 3,753,800</u>	<u>\$ (407)</u>	<u>\$ 9,750,184</u>
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities								
Accounts payable	\$ 49,997	\$ -	\$ 49,997	\$ -	\$ -	\$ -	\$ -	\$ 49,997
Accrued liabilities	76,137	-	76,137	407	-	407	(407)	76,137
Current portion of capital lease obligation	4,176	-	4,176	-	-	-	-	4,176
Current portion of note payable	6,361	-	6,361	-	-	-	-	6,361
Total Current Liabilities	<u>136,671</u>	<u>-</u>	<u>136,671</u>	<u>407</u>	<u>-</u>	<u>407</u>	<u>(407)</u>	<u>136,671</u>
Capitalized lease obligation, net of current portion	8,572	-	8,572	-	-	-	-	8,572
Note payable, net of current portion	254,342	-	254,342	-	-	-	-	254,342
Total Long-Term Debt	<u>262,914</u>	<u>-</u>	<u>262,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,914</u>
Total Liabilities	<u>399,585</u>	<u>-</u>	<u>399,585</u>	<u>407</u>	<u>-</u>	<u>407</u>	<u>(407)</u>	<u>399,585</u>
Net Assets								
Unrestricted	5,423,905	-	5,423,905	3,753,393	-	3,753,393	-	9,177,298
Temporarily restricted	-	173,301	173,301	-	-	-	-	173,301
Total Net Assets	<u>5,423,905</u>	<u>173,301</u>	<u>5,597,206</u>	<u>3,753,393</u>	<u>-</u>	<u>3,753,393</u>	<u>-</u>	<u>9,350,599</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,823,490</u>	<u>\$ 173,301</u>	<u>\$ 5,996,791</u>	<u>\$ 3,753,800</u>	<u>\$ -</u>	<u>\$ 3,753,800</u>	<u>\$ (407)</u>	<u>\$ 9,750,184</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE II - COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>LBRM</b>			<b>LBRMF</b>			<b>ELIMINATIONS</b>	<b>COMBINED TOTALS</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>		
<b>SUPPORT AND REVENUE</b>								
Contributions	\$ 1,897,804	\$ 47,638	\$ 1,945,442	\$ 6,191	\$ -	\$ 6,191	\$ -	\$ 1,951,633
Estates and bequests	37,819	120,125	157,944	907	-	907	-	158,851
Cold weather shelter contract	310,570	-	310,570	-	-	-	-	310,570
Private grants	612,620	-	612,620	-	-	-	(388,075)	224,545
Gifts in-kind	443,374	-	443,374	-	-	-	-	443,374
Special events	\$ 16,736	-	-	-	-	-	-	-
Less: Cost of direct benefits to donors	<u>(9,070)</u>	7,666	-	-	-	-	-	7,666
Interest and dividends	83	-	83	82,805	-	82,805	-	82,888
Rental income	46,735	-	46,735	24,617	-	24,617	-	71,352
Thrift store sales	147,889	-	147,889	-	-	-	-	147,889
Net realized gain on investments	-	-	-	34,196	-	34,196	-	34,196
Net unrealized gain on investments	-	-	-	208,629	-	208,629	-	208,629
Other revenue	14,526	-	14,526	-	-	-	-	14,526
Net assets released from restrictions	226,208	(226,208)	-	255,536	(255,536)	-	-	-
 Total Support and Revenue	 <u>3,745,294</u>	 <u>(58,445)</u>	 <u>3,686,849</u>	 <u>612,881</u>	 <u>(255,536)</u>	 <u>357,345</u>	 <u>(388,075)</u>	 <u>3,656,119</u>
<b>OPERATING EXPENSES</b>								
Program services	2,765,844	-	2,765,844	474,541	-	474,541	(388,075)	2,852,310
Management and general	267,809	-	267,809	30,596	-	30,596	-	298,405
Fund-raising	587,498	-	587,498	-	-	-	-	587,498
 Total Operating Expenses	 <u>3,621,151</u>	 <u>-</u>	 <u>3,621,151</u>	 <u>505,137</u>	 <u>-</u>	 <u>505,137</u>	 <u>(388,075)</u>	 <u>3,738,213</u>
Loss on disposition of asset	-	-	-	909,894	-	909,894	-	909,894
 Total Expenses	 <u>3,621,151</u>	 <u>-</u>	 <u>3,621,151</u>	 <u>1,415,031</u>	 <u>-</u>	 <u>1,415,031</u>	 <u>(388,075)</u>	 <u>4,648,107</u>
 CHANGE IN NET ASSETS	 124,143	 (58,445)	 65,698	 (802,150)	 (255,536)	 (1,057,686)	 -	 (991,988)
 NET ASSETS, BEGINNING OF YEAR	 <u>5,299,762</u>	 <u>231,746</u>	 <u>5,531,508</u>	 <u>4,555,543</u>	 <u>255,536</u>	 <u>4,811,079</u>	 <u>-</u>	 <u>10,342,587</u>
 NET ASSETS, END OF YEAR	 <u>\$ 5,423,905</u>	 <u>\$ 173,301</u>	 <u>\$ 5,597,206</u>	 <u>\$ 3,753,393</u>	 <u>\$ -</u>	 <u>\$ 3,753,393</u>	 <u>\$ -</u>	 <u>\$ 9,350,599</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE III - COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014**

	LBRM				LBRMF				ELIMINATIONS	COMBINED TOTALS
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total		
Salaries and wages	\$ 727,100	\$ 194,448	\$ 92,007	\$ 1,013,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013,555
Payroll taxes	45,255	18,438	6,317	70,010	-	-	-	-	-	70,010
Employee benefits	155,253	18,343	10,357	183,953	-	-	-	-	-	183,953
	<u>927,608</u>	<u>231,229</u>	<u>108,681</u>	<u>1,267,518</u>	-	-	-	-	-	<u>1,267,518</u>
Advertising and newsletter	636	-	288,461	289,097	-	-	-	-	-	289,097
Benevolence	23,541	-	-	23,541	-	-	-	-	-	23,541
Contributions and grants	-	-	-	-	388,075	-	-	388,075	(388,075)	-
Community development	4,818	-	-	4,818	-	-	-	-	-	4,818
Contracted services	225,798	-	-	225,798	-	-	-	-	-	225,798
Depreciation and amortization	184,756	7,150	2,654	194,560	15,516	-	-	15,516	-	210,076
Facility expense	252,072	-	-	252,072	11,163	-	-	11,163	-	263,235
Food supply and service	47,751	-	-	47,751	-	-	-	-	-	47,751
In-kind expense	437,574	-	-	437,574	-	-	-	-	-	437,574
Interest	13,561	-	-	13,561	-	-	-	-	-	13,561
Insurance	79,306	6,900	902	87,108	451	4,759	-	5,210	-	92,318
Miscellaneous	229	8,662	-	8,891	-	823	-	823	-	9,714
Office expense	18,062	-	-	18,062	-	-	-	-	-	18,062
Postage and delivery	35,254	-	143,178	178,432	-	-	-	-	-	178,432
Printing and reproduction	13,755	-	3,900	17,655	-	-	-	-	-	17,655
Professional development	12,746	-	-	12,746	-	-	-	-	-	12,746
Professional fees	80,664	10	36,450	117,124	38,800	25,014	-	63,814	-	180,938
Programs and case management	46,274	-	-	46,274	-	-	-	-	-	46,274
Rent	76,203	-	-	76,203	-	-	-	-	-	76,203
Special event expense	35,916	-	-	35,916	-	-	-	-	-	35,916
Taxes and licenses	47,943	-	-	47,943	18,470	-	-	18,470	-	66,413
Travel and meals	17,998	-	133	18,131	-	-	-	-	-	18,131
Utilities and telephone	153,834	13,858	3,139	170,831	2,066	-	-	2,066	-	172,897
Vehicle expense	38,615	-	-	38,615	-	-	-	-	-	38,615
Total expenses	<u>2,774,914</u>	<u>267,809</u>	<u>587,498</u>	<u>3,630,221</u>	<u>474,541</u>	<u>30,596</u>	<u>-</u>	<u>505,137</u>	<u>(388,075)</u>	<u>3,747,283</u>
Less expenses included with revenues on the combined statement of activities	<u>(9,070)</u>	<u>-</u>	<u>-</u>	<u>(9,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,070)</u>
Total expenses included in the expense section of the combined statement of activities	<u>\$ 2,765,844</u>	<u>\$ 267,809</u>	<u>\$ 587,498</u>	<u>\$ 3,621,151</u>	<u>\$ 474,541</u>	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 505,137</u>	<u>\$ (388,075)</u>	<u>\$ 3,738,213</u>

**LONG BEACH RESCUE MISSION AND  
LONG BEACH RESCUE MISSION FOUNDATION  
SCHEDULE IV - COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

	LBRM			LBRMF			ELIMINATIONS	COMBINED TOTALS
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Change in net assets	\$ 124,143	\$ (58,445)	\$ 65,698	\$ (802,150)	\$ (255,536)	\$ (1,057,686)	\$ -	\$ (991,988)
Adjustments to reconcile changes in net assets to net cash provided/used by operating activities:								
Depreciation	194,316	-	194,316	15,516	-	15,516	-	209,832
Amortization of loan fees	244	-	244	-	-	-	-	244
Loss on sale of property and equipment	-	-	-	909,894	-	909,894	-	909,894
Net realized gain on investments	-	-	-	(34,196)	-	(34,196)	-	(34,196)
Net unrealized gain on investments	-	-	-	(208,629)	-	(208,629)	-	(208,629)
Changes in operating assets and liabilities:								
Accounts receivable	(4,897)	-	(4,897)	24,913	-	24,913	(21,681)	(1,665)
Note receivable	(21,508)	-	(21,508)	-	-	-	-	(21,508)
Contribution receivable	-	(141,626)	(141,626)	-	-	-	-	(141,626)
Gift cards	2,689	-	2,689	-	-	-	-	2,689
Prepaid expenses	(3,950)	-	(3,950)	1,459	-	1,459	-	(2,491)
Deposits	(1,720)	-	(1,720)	-	-	-	-	(1,720)
Accounts payable	(948)	-	(948)	(5,006)	-	(5,006)	21,681	15,727
Accrued liabilities	15,071	-	15,071	7	-	7	-	15,078
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>303,440</u>	<u>(200,071)</u>	<u>103,369</u>	<u>(98,192)</u>	<u>(255,536)</u>	<u>(353,728)</u>	<u>-</u>	<u>(250,359)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Purchases of property and equipment	(211,770)	-	(211,770)	-	-	-	-	(211,770)
Proceeds from sale of property and equipment	-	-	-	1,868,993	-	1,868,993	-	1,868,993
Proceeds from sale of investments	-	-	-	(2,866,994)	-	(2,866,994)	-	(2,866,994)
Purchases of investments	-	-	-	1,114,928	255,536	1,370,464	-	1,370,464
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(211,770)</u>	<u>-</u>	<u>(211,770)</u>	<u>116,927</u>	<u>255,536</u>	<u>372,463</u>	<u>-</u>	<u>160,693</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Principal payments on capital lease obligation	(1,350)	-	(1,350)	-	-	-	-	(1,350)
Principal payments on note payable	(5,887)	-	(5,887)	-	-	-	-	(5,887)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>(7,237)</u>	<u>-</u>	<u>(7,237)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,237)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	84,433	(200,071)	(115,638)	18,735	-	18,735	-	(96,903)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	35,859	216,434	252,293	123,601	-	123,601	-	375,894
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 120,292</u>	<u>\$ 16,363</u>	<u>\$ 136,655</u>	<u>\$ 142,336</u>	<u>\$ -</u>	<u>\$ 142,336</u>	<u>\$ -</u>	<u>\$ 278,991</u>